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EU-27

Cotton and Products Annual

Cotton and Products Annual 2012

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Report Highlights:

Only two European Union (EU-27) Members States (MS)—Greece (80 percent) and Spain (20 percent)—grow significant amounts of cotton commercially. EU-27 cotton production, which has declined about 50 percent since the 2006 reforms, represents less than 1 percent of world production, consumption, and trade. Following the cotton reforms in MY 2009/10 the EU-27 planted area and production have progressively increased and are forecast to remain stable during MY 2012/13. MY 2012/13 EU-27 cotton imports are forecast to remain steady at low levels, as the EU-27 industry remains uncompetitive.

Cotton and Products

EU-27

EU-27 Cotton Lint Production (Hectares, Metric Tons)

	2010/11	2011/12	2012/13
Area Harvested	293,000	352,000	353,000
Beginning Stocks	7,000	2,000	11,000
Production	249,000	350,000	354,000
Imports	38,000	30,000	25,000
TOTAL Supply	294,000	382,000	390,000
Exports	211,000	304,000	307,000
Use	34,000	20,000	20,000
Loss	6,000	6,000	6,000
TOTAL Dom Cons	81,000	67,000	75,000
Ending Stocks	2,000	11,000	8,000
Total Distribution	294,000	382,000	390,000

Source: FAS Rome and Madrid estimates

PS&Ds for all EU-27 MS may be found at: <http://www.fas.usda.gov/cots/cotton.asp>

Production

The EU-27 is a minor producer of raw cotton. Current EU-27 cotton policy is detailed in Regulation 1782/2003, revised by Regulation 864/2004, and amended by Regulation 637/2008. EU-27 cotton production has declined by more than 50 percent following Common Agricultural Policy (CAP) reforms effective in 2006 that decoupled payments and reduced support and market barriers for a number of crops, including cotton (see “*Study on the Cotton Sector in the European Union*” at www.lmc.co.uk). Production may stabilize through 2013 when additional reforms are expected to be implemented that could further reduce incentives to produce cotton.

The EU-27 does not permit farmers to cultivate biotech cotton. Only two EU-27 Members States—Greece (80 percent) and Spain (20 percent)—grow significant amounts of cotton commercially. Following the cotton reforms in MY 2009/10 the EU-27 planted area and production have progressively increased and are forecast to remain stable during MY 2012/13.

Consumption

EU-27 cotton lint consumption is forecast to recover steadily despite a stiff competition from lower-cost Asian and South East Asian spinners. EU-27 textile and apparel processors source most of their products offshore. Some EU-27 processors split production between the EU-27 and third countries to take advantage of marketing opportunities. Cotton Council International works with EU-27 entities to source products made with U.S. cotton.

Trade

MY 2011/12 EU-27 lint exports increased significantly because of increased production in Greece. MY 2012/13 EU-27 cotton lint exports are forecast to remain stable. Turkey and Egypt represent about 80 percent of the export market for EU-27 cotton. The fourth quarter of 2011 has been characterized by reduced cotton exports to Egypt after the import ban (Ministerial Decree 1864/2011) imposed on 25 October 2011. MY 2012/13 EU-27 cotton import demand is forecast to remain steady at low levels, as the EU-27 industry remains uncompetitive. There are no restrictions on importing lint or products produced from biotech cotton.

EU-27 Cotton Lint Trade

EU-27 Cotton Lint Imports (MT)

	Aug-Jul 09/10	Aug-Jul 10/11	Aug-Dec 10/11	Aug-Dec 11/12
EU-27	8,034	7,065	2,548	1,835
Germany	1,697	2,128	899	672
Belgium	872	1,193	354	170
Portugal	1,785	1,121	370	426
Extra EU-27	30,655	32,266	10,649	8,911
Turkey	14,541	12,979	4,558	3,782
Honduras	2,938	2,896	1,418	832
India	1,779	2,233	335	1,302
Pakistan	2,148	2,101	772	487
Mauritius	2,021	1,733	706	223
World	38,689	39,331	13,197	10,746

Source: GTA

EU-27 Cotton Lint Exports (MT)

	Aug-Jul 09/10	Aug-Jul 10/11	Aug-Dec 10/11	Aug-Dec 11/12
EU-27	36,564	36,801	16,983	15,594
Germany	6,808	11,203	4,308	2,962
Italy	11,028	5,994	3,410	4,452
Portugal	5,782	4,171	1,399	1,216
Bulgaria	4,390	1,957	1,216	354
France	4,367	6,373	3,117	3,353
Extra EU-27	211,250	160,651	116,149	114,880
Turkey	148,710	88,205	68,739	23,971
Egypt	26,748	27,789	6,343	3,414
Indonesia	13,598	12,398	6,959	10,158
Morocco	7,318	7,945	2,145	1,925
Pakistan	3,488	4,343	2,877	1,569
World	247,814	197,452	133,132	130,474

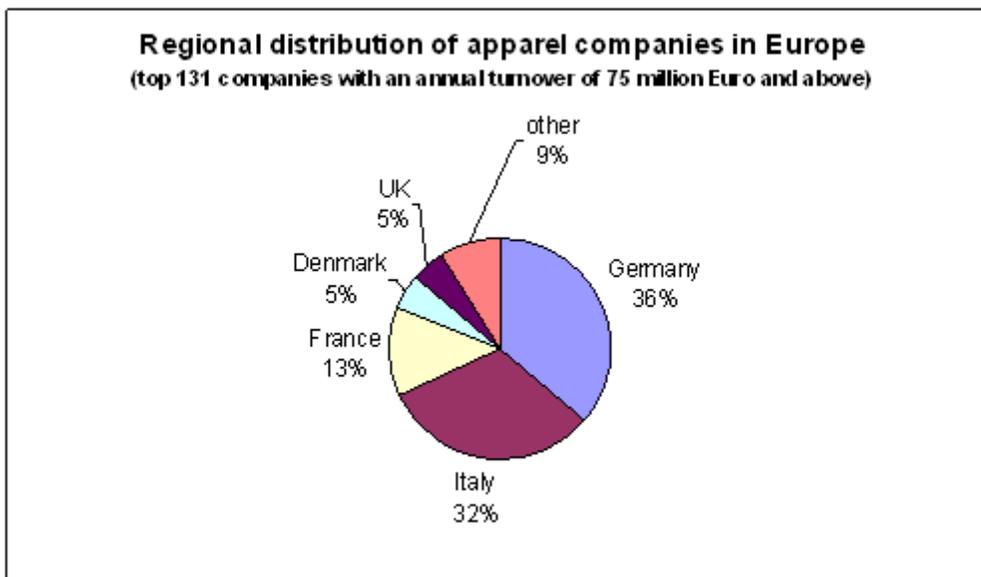
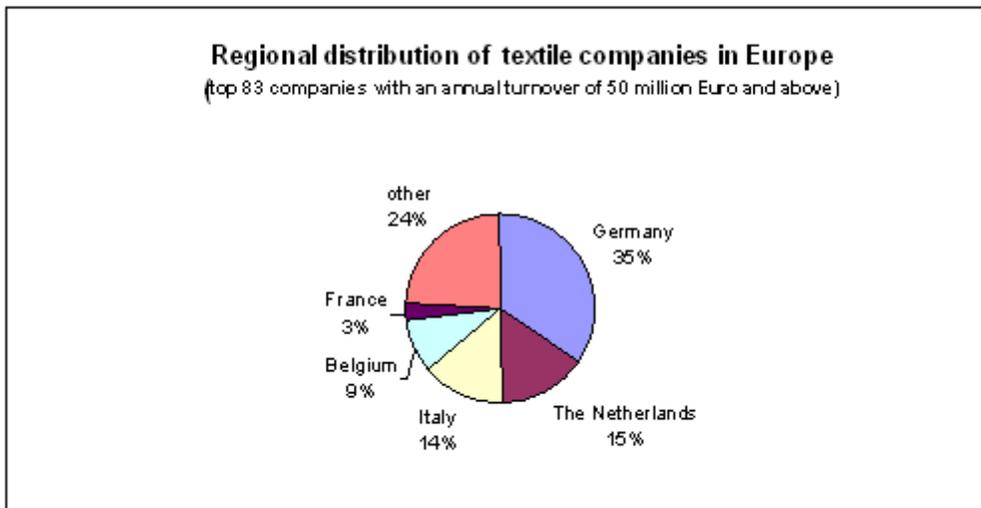
Source: GTA

Stocks

Ending stocks for MY 2012/2013 are expected to be slightly down from the previous year.

EU-27 Cotton Products

Major European textile and apparel producers include Germany and Italy. Textile production across Western Europe is declining due to lower manufacturing costs in Eastern Europe, Asia, and elsewhere.



Source: German textile and fashion confederation

EU-27 Cotton Yarns Trade

EU-27 Cotton Yarns Imports (MT)

	2009/10	2010/11
India	107,226	98,496
Turkey	72,325	66,490
Pakistan	37,321	37,492
Egypt	19,260	25,328
China	17,078	15,829
Syria	12,337	14,052
Uzbekistan	19,320	12,059
Indonesia	8,900	6,420
Bosnia	6,629	5,132
Turkmenistan	2,648	2,411
World	321,270	302,913

Source: GTA

EU-27 Cotton Yarns Exports (MT)

	2009/10	2010/11
Tunisia	4,457	4,450
Morocco	2,989	3,638
Switzerland	2,582	2,732
Croatia	2,489	2,410
Turkey	2,037	2,275
Belarus	1,212	1,902
Algeria	1,925	1,825
Ukraine	1,501	1,616
Egypt	1,256	1,584
Mexico	1,229	1,436
World	32,505	34,459

Source: GTA

EU-27 Cotton Fabrics Trade

EU-27 Cotton Fabrics Imports (MT)

	2009/10	2010/11
Pakistan	94,695	88,245
China	63,156	67,882
Turkey	48,914	47,654
India	23,196	26,228
Thailand	8,873	9,424
Indonesia	8,018	8,760
Morocco	5,432	5,948
Switzerland	5,504	5,846
United Arab	4,793	5,824
Uzbekistan	7,320	4,641
World	299,958	303,460

Source: GTA

EU-27 Cotton Fabrics Exports (MT)

	2009/10	2010/11
Tunisia	40,803	39,473
Morocco	29,268	33,255
Turkey	15,185	15,160
United States	6,006	7,589
Macedonia	5,641	6,884
Ukraine	5,004	5,276
Switzerland	4,665	5,153
Hong Kong	3,004	2,768
Mali	2,540	2,500
Brazil	1,326	2,223
World	159,832	169,693

Source: GTA

GREECE

Cotton Lint Production (Hectares, Metric Tons)

	2010/11	2011/12	2012/13
Area Harvested	230,000	285,000	285,000
Beginning Stocks	2,000	0	5,000
Production	204,000	290,000	300,000
Imports	5,000	2,000	2,000
Total Supply	211,000	292,000	307,000
Exports	171,000	261,000	270,000
Use	34,000	20,000	20,000
Loss	6,000	6,000	6,000
TOTAL Dom Cons	40,000	26,000	34,000
Ending Stocks	0	5,000	3,000
Total Distribution	211,000	292,000	307,000

Source: FAS estimates

Production

Cotton is a major agricultural crop in Greece, accounting for more than 8 percent of total agricultural output. More than 75,000 farmers grow cotton, producing about 80 percent of the EU-27 crop. Cotton is planted from March 1 to April 15; the harvest occurs from October 1 to November 30. Most cotton is irrigated and machine harvested. Thessaly, Macedonia, and Mainland Greece are the major cotton-producing areas.

There are approximately 30 ginning companies in Greece with 65 gins. About 80 percent of the companies are private and the remainders are cooperatives. The top 5 companies handle about 60 percent of ginning capacity.

Area, yields, and production suffered a significant decline in 2006 due to the implementation of the EU cotton reforms. After MY 2009/10 low production, bad quality, defaults, and delivery problems, the Greek cotton market is struggling to regain its reputation and position in national and international markets. MY 2011/12 Greek cotton production has been good, up almost 42 percent from last season due to increased acreage and more effective pest control. Initial delays during the planting period due to constant rainfalls and low temperatures have been offset by warm and sunny days in August and September.

Greece's financial crisis has negatively affected the cotton market, creating risks and uncertainty. Greek ginners are facing difficulties in selling their output for the first time in many years, although prices have stayed above \$1/lb. Without banks' assistance, many ginners and cooperatives cannot hold back their stocks until prices improve. There is also a lot of debate about the survival of cooperatives that used to receive a large percentage of agricultural loans. Moreover, considering last season's defaults and delivery issues, international cotton merchants have decided to narrow their focus and buy only from the top ginners/exporters as a reward for their last season's high rating performance.

Ginners generally do not contract with growers, but compete with each other to purchase the crop. Seed cotton prices have increased from €0.52/kg at the beginning of the season to nearly \$1.20/lb. in mid-November. Current lint process is reported to be around \$0.93/lb. FOT.

MY 2012/2013 Greek cotton area and production are forecast to remain steady if weather remains stable. Apart from that, it is not easy to make forecasts for the next season, especially for small and medium-sized ginning companies that may be forced to quit ginning or lower their production even more.

Consumption

Domestic spinners consume approximately 10 percent of lint production and the remainder is exported. About 58 percent of cottonseed production is exported (mainly to Italy) and the remainder is crushed for oil (and oilseed cake) or retained for seed.

Textile products

According to the Association of Hellenic Textile Industries (SEVK), the Greek textile industry is facing tough times as not only the sector's production has dropped by 18 percent, but domestic orders have also slumped 20 percent. A negative trend has dominated the export market, which has been shrunk by an additional 4-5 percent compared to last year after a brief period of optimism at the beginning of 2011.

The problems for the Greek textile industry are compounded by the absence of liquidity in the market, meaning that banks have pulled the plug on all sources of funding, forcing a number of businesses to seriously consider closing down entirely.

The SEVK has also complained about the amount of interest charged on loans, which can exceed 10 percent. Given these circumstances, the industry is looking for an intervention of the State to revitalize the sector, starting with a settlement of millions of euro in value-added tax owed by the state to businesses in the sector with high export activity.

A number of Greek businesses are exploring alternative avenues of funding by approaching potential investors as far afield as the United States and China. For companies with an outward-looking approach and a strong brand name, the inflow of capital from a foreign investment fund is just the thing to offset the negative international image of the domestic market.

Trade

Greece is a major cotton exporter. Turkey has been the main destination for Greek cotton during MY 2010/2011 representing 70 percent of total exports. The fourth quarter of 2011 has been characterized by reduced Greece's cotton exports to Egypt after the import ban (Ministerial Decree 1864/2011) imposed on 25 October 2011.

Greek ginners are expanding their distribution channels rather than selling only to traditional buyers.

Thus, during the first months of 2012, Greece started exporting huge quantities (37,162 MT) of cotton to China.

Small amounts of cotton are imported for blending in the domestic spinning industry.

Cotton Lint Exports (MT)

	Aug-Jul 09/10	Aug-Jul 10/11	Aug-Dec 10/11	Aug-Dec 11/12
EU-27	25,423	20,331	9,906	6,882
Germany	5,153	8,122	3,392	4,108
Italy	10,983	5,659	3,316	1,414
France	2,877	1,297	919	510
Bulgaria	4,390	1,884	1,216	354
Extra EU-27	204,431	137,049	88,169	81,184
Turkey	148,710	86,877	68,303	23,948
Egypt	26,748	27,789	6,343	3,114
Indonesia	13,494	9,274	5,687	9,695
Pakistan	3,352	2,039	1,133	1,468
Japan	1,836	3,170	1,739	838
World	229,854	157,380	98,075	88,066

Source: GTA

Cotton Lint Imports (MT)

	Aug-Jul 09/10	Aug-Jul 10/11	Aug-Dec 10/11	Aug-Dec 11/12
World	6,706	6,508	2,044	1,442
EU-27	1,546	1,355	516	426
Belgium	250	428	118	88
Bulgaria	433	404	105	193
Extra EU-27	5,160	5,153	1,528	1,016
Turkey	4,039	2,994	1,117	707
Pakistan	1,081	1,027	372	130

Source: GTA

SPAIN

Cotton Lint Production (Hectares, Metric Tons)

	2010/11	2011/12	2012/13
Area Harvested	63,000	67,000	68,000
Beginning Stocks	5,000	2,000	6,000
Production	45,000	60,000	54,000
Imports	33,000	28,000	23,000
Total Supply	83,000	90,000	83,000
Exports	40,000	43,000	37,000
TOTAL Dom Cons	41,000	41,000	41,000
Ending Stocks	2,000	6,000	5,000
Total Distribution	83,000	90,000	83,000

Source: FAS estimates

Area and Production

Spain is the EU's second largest cotton growing Member State representing about 20 percent of the total EU-27 cotton production. Cotton production in Spain suffered a significant decline in 2006 due to the implementation of the EU cotton reforms, reaching a record low in MY 2008/09. The modification of the payment system in MY 2009/10, along with favourable prices paid to producers has enabled a progressive recovery of the area planted to cotton over the last three MY.

Virtually all Spain's cotton is grown in irrigated land in Andalusia. Cotton production is progressively concentrating in the provinces of Seville and Cadiz. While prices paid to farmers and the volume of EU subsidies are critical factors for planting decisions the main factors that affect final yields are the absence of pests and weather conditions at the harvest season.

In MY 2011/12, yields reached a five-year record at 2.6 MT/ha thanks to the low incidence of pests, water availability and mild temperatures throughout the beginning of the fall. For MY 2012/13 good prices for raw cotton received by farmers would likely encourage plantings. Nevertheless, it seems quite unlikely that production levels before the 2006 reforms are recovered.

Spain's Farm Gate Raw Cotton prices

	2007/2008	2008/09	2009/10	2010/11	2011/12e
Price (Euros/100 kg)	32.95	29.90	22.62	46.03	50.00

Source: MAGRAMA (Ministry of Agriculture, Food and Environmental Affairs) and FAS Madrid estimates.

In Spain seed cotton prices increased from €0.48/kg at the beginning of the season to nearly €0.59/kg in November 2011.

Raw cotton processing

The EU's gin restructuring program reduced the number of ginning plants from 28 in MY 2007/08 to only seven (Dafisa, Surcotton, Coalsa, Eurosemillas, Comasa, Indesa and Algosur, a farmers' cooperative) since MY 2010/11.

According to industry in Spain raw cotton processing rates are as follows:

Cotton Lint yield = 32-33% (national weighted average) of total Seed Cotton delivered to ginneries

Cottonseed yield = 54% (national weighted average) of total Seed Cotton delivered to above ginneries

The remaining 13-14% is moisture and waste.

Consumption and Textile Products

Cottonseed production is not crushed, but used directly as animal feed (mostly dairy cows).

Domestic consumption of cotton lint remained stable throughout 2011. While cotton yarn and fabric production in Spain grew marginally in 2010 driven by improved export markets, production of yarn declined in 2011, being only partially offset by a marginal increase on fabrics production.

Delocalization and financial constrains are seen as the main factors driving the decrease.

Cotton Yarn and Fabric Production (MT)

	2004	2005	2006	2007	2008	2009	2010	2011 p
Yarn	110,768	79,527	72,507	65,949	44,013	38,030	40,198	39,275
Fabrics	112,466	96,501	80,608	47,766	30,815	27,888	29,059	29,666

Source: AITPA (Association for Industrial Textile Cotton Processing)

p: provisional data

According to industry sources, exports of yarn and fabrics continued its upward trend in 2011 while home textile exports declined.

Policy

Since MY 2008/09 the national guaranteed area was reduced to 48,000 ha. As a result, the budget is fully used even though correction factors are needed. Coupled payment varies every year depending on the total cotton acreage. Likewise, cotton payments under Article 69

Cotton Policy

	MY 2008/09	MY 2009/10	MY 2010/11	MY 2011/12	MY 2012/13
National Guaranteed Area (ha)	70,000	48,000	48,000	48,000	48,000
Coupled payment	1,039 €/Ha.	1,400 €/Ha.	1,400 €/Ha.	1,400 €/Ha.	1,400 €/Ha.
Budget for coupled payment	€72,730,000	€67,200,000	€67,200,000	€67,200,000	€67,200,000
Budget for article 69 aid	€13,430,000	€13,430,000	€13,430,000	€13,430,000	€13,430,000
National envelope for cotton gin restructuring process and machinery contractors		€6,134,000	€6,134,000	€6,134,000	€6,134,000

According to data Published by FEGA (Spanish Agricultural Guarantee Fund) in MY 2011/12 total cotton acreage eligible to receive subsidies was 65,619 Ha. As a result, the coupled payment adjusted for MY 2011/12 will amount to about 1,024 Euros per hectare.

Subsidies per Hectare

	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12e
Coupled payment (€/ha)	1,039	,039	1,039	1,400	1,400	1,400
Coupled payment adjusted (€/ha)	1,039	1,039	1,039	1,19	1,105	1,024
Article 69 payment (€/ha)	259.35	323.81	562.85	480.47	289.81	N/A
Integrated farming aid:	350	350	350	350	350	350
Under 40 ha.	210	210	210	210	210	210
Between 40 and 80 ha.	105	105	105	105	105	105
More than 80 ha.						

Source: FEGA and FAS Madrid estimates.

CAP reform

Future prospects for Spain's cotton sector will be tied to developments in the subsidy scheme, especially when the CAP reform currently under discussion will be implemented.

Spain's agriculture is very diverse. According to FEGA (Spanish Agricultural Guarantee Fund) the average value of the single payment per hectare amounted to 278 Euros in 2011. Nevertheless, there is a

great variability within the different regions since the crops grown originated different amounts during the reference periods. In Andalucía, where virtually all cotton is grown single payment is on average 435 Euros per hectare. A flat rate single payment would impact quite negatively to Spain's cotton sector.

Trade

Morocco is the main destination for Spain's cotton lint, representing over 40 percent of Spain's exports. Portugal is the main intra-EU destination and Turkey is by far Spain's largest supplier of cotton lint.

The PSD tables are prepared based on an August 1 to July 31 marketing year.

HS codes considered for Lint Cotton trade data: 5201, 5202, 5203.

HS codes considered for Yarn Cotton trade data: 5204, 5205, 5206, 5207.

HS codes considered for Fabric Cotton trade data: 5208, 5209, 5210, 5211, 5212.